

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 ARA-06 EA-07 NEA-10 IO-13 ISO-00
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CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00
OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02 SIL-01
AGRE-00 OMB-01 FEA-01 NSCE-00 ERDA-05 DODE-00
FPC-01 H-01 INT-05 L-03 NSC-05 PM-04 OES-07
SS-15 STR-04 ACDA-07 /155 W

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O R 121946Z MAY 77

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 6615

INFO ALL OECD CAPITALS

AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY BELGRADE

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY CARACAS

USDEL MTN GENEVA

USMISSION GENEVA

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KINGSTON

AMEMBASSY KINSHASA

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AMEMBASSY LIMA

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 14135

E.O. 11652: GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC: CONTACT GROUP MEETINGS OF MAY 10 AND 11

SUMMARY: PACE OF CONTACT GROUP (CG) ACTIVITY INCREASED

DURING MAY 10 AND 11 AS THE MAY 14 TERMINATION DATE

FOR CG WORK BECOMES IMMINENT. PROGRESS, HOWEVER, WAS SLOW AND UNEVENLY DISTRIBUTED. THERE WAS LITTLE FORWARD MOVEMENT IN RAW MATERIALS OR FINANCIAL CGS. HOWEVER, SOME ENCOURAGING WORK WAS DONE, FOR EXAMPLE, IN ENERGY AREA ON SUPPLY AND COOPERATION ISSUES AND IN DEVELOPMENT ODA AREA, ESPECIALLY, ON ISSUES INVOLVING INTERNATIONAL FINANCIAL INSTITUTIONS. IN THESE FINAL DAYS OF CG MEETINGS, USDEL IS SEEKING TO MAXIMUM EXTENT POSSIBLE TO GET SECONDARY ISSUES SETTLED OR PUT ASIDE SO THAT SENIOR OFFICIALS WILL BE ABLE TO CONCENTRATE ON MANAGEABLE NUMBER OF KEY PROBLEMS.

END SUMMARY.

ENERGY COMMISSION

1. ACTIVITY IN ENERGY AREA HAS PICKED UP MARKEDLY, WITH BOTH COMMISSION AND CONTACT GROUP MEETINGS HELD ON MAY 10 AND 11. PARALLEL TO THIS, REPRESENTATIVES OF U.S. AND SAUDI CO-CHAIRMEN HAVE BEEN ENGAGED IN INTENSIVE EFFORT TO PRODUCE LANGUAGE ACCEPTABLE TO BOTH G-8 AND G-19 COVERING SUPPLY AND COOPERATION AREAS OF WORK PROGRAM. THE MAJOR SUBSTANTIVE PROBLEM IN BOTH AREAS IS INSISTENCE BY OPEC COUNTRIES THAT CIEC REGISTER DC AGREEMENT TO ENHANCE EFFORTS TO FACILITATE DEVELOPMENT OF DOWNSTREAM INDUSTRIES IN OIL PRODUCING COUNTRIES AND TO GRANT THEIR PETROLEUM-BASED PRODUCTS IMPROVED ACCESS TO MARKETS. IN ADDITION, JAMAICAN DEL,

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BACKED BY INDIAN, HAS CONTINUED TO INSIST THAT ENERGY COMMISSION TAKE UP QUESTIONS RELATING TO RECENT INTERIM COMMITTEE MEETING, ASSERTING THAT WITTEVEEN FUND, WHILE REPRESENTING AN IMPROVEMENT, WOULD FAIL TO MEET FULLY IMMEDIATE FINANCING NEEDS OF "MOST DISADVANTAGED" LDCS AND THAT CIEC SHOULD THEREFORE RECOMMEND MODIFICATIONS.

IRAN AND MORE RADICAL OPEC DELS, OBVIOUSLY RESTIVE UNDER SAUDI-U.S. DOMINATION OF DRAFTING PROCESS, CONTINUE TO PUSH PET IDEAS IN CONTACT GROUP DISCUSSIONS OF CONCLUSIONS LANGUAGE, AND RECOMMENDATION LANGUAGE HAS YET TO BE DISCUSSED IN PLENARY SESSION. NONETHELESS, PROSPECTS SEEM SOMEWHAT ENCOURAGING FOR THE PRODUCTION BY THE END OF THE WEEK OF TEXTS REGISTERING SUBSTANTIAL AREAS OF AGREEMENT ON SUPPLY AND COOPERATION ISSUES.

2. PRICE ISSUE WAS FIRST TAKEN UP AT MAY 11 COMMISSION MEETING. LED BY IRAN (YEGANEH), OPEC

COUNTRIES SOUGHT TO PORTRAY PRICE PROVISIONS OF U.S. ENERGY PROGRAM (AND SUMMIT "ENDORSEMENT" OF THAT PROGRAM) AS REPRESENTING G-8 AGREEMENT TO THEIR APPROACH TO PRESERVATION OF PURCHASING POWER (I.E., INDEXATION AND PRICING BASED ON COST OF ALTERNATIVE RESOURCES). U.S. REP RESPONDED THAT U.S. ENERGY PROGRAM PARTICULARLY ITS PRICING PROVISIONS, IS ADDRESSED TO PARTICULAR DOMESTIC CONSERVATION AND ACCELERATED DEVELOPMENT NEEDS AND SHOULD NOT BE LIKENED TO ATTEMPT TO LINK WORLD OIL PRICES TO SOME PARTICULAR SET OF TRADE RELATIONSHIPS OR UNCERTAIN COSTS OF ALTERNATIVE

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SOURCES. U.S. PROPOSED PRICING PROVISIONS INVOLVE CEILING ON FUTURE PRICES--NOT ATTEMPT TO ASSURE UNIT VALUE OF INVESTMENT EARNINGS. U.S. CONTINUES TO BELIEVE INDEXING OF WORLD OIL PRICES IS UNWORKABLE AND CONTRARY TO BEST INTERESTS OF WORLD ECONOMY. OTHER G-8 DELS ALSO VOICED CONTINUED OBJECTIONS TO INDEXATION. THERE WAS NO SPECIFIC DISAGREEMENT WITH PROPOSAL BY BOTH CO-CHAIRMEN THAT, IN VIEW OF THESE DIFFERENCES, CIEC LANGUAGE ON PRICE BE KEPT GENERAL, WITH FOCUS ON AREAS WHERE CONSENSUS IS POSSIBLE. YEGANEH, HOWEVER, CONCLUDED DISCUSSION BY EMPHASIZING THAT ELEMENTS OF FINAL ENERGY PACKAGE WERE INTERLINKED, I.E., THAT WILLINGNESS OF PRODUCERS TO TREAT AREA OF PRIMARY INTEREST TO CONSUMERS (SUPPLY) MUST BE BALANCED BY CONSUMER WILLINGNESS TO ADDRESS PRICE ISSUES WHICH ARE OF PARAMOUNT CONCERN TO PRODUCERS.

RAW MATERIALS COMMISSION

3. MAY 10-11 SHOWED SOME FORWARD MOVEMENT WITHIN G-8 IN TREATMENT OF KEY SUBSTANTIVE ISSUES. G-8 REACHED AGREEMENT ON COMMON PROPOSALS ON QUESTIONS OF PURCHASING POWER AND COMPENSATORY FINANCE (REPORTED SEPTELS). THESE WERE TABLED IN CONTACT GROUP MAY 11 AND MET WITH COOL INITIAL REACTION FROM G-19. G-8 OBJECTIVE IS TO WRAP UP NEGOTIATIONS ON THESE ITEMS BY MAY 14, AND U.S. DEL HAS TOLD G-19 REP PRIVATELY, IN RESPONSE TO QUESTIONS, THAT THERE IS LITTLE ROOM FOR MANEUVER IN G-8 PROPOSALS.

4. ON INTEGRATED PROGRAM/COMMON FUND, G-8 IS CLOSE
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TO AGREEMENT ON COMMON PAPER FOR TACTICAL USE IN CONTACT GROUP WHICH PROVIDES BLANK SPACE FOR A PARAGRAPH ON THE COMMON FUND (TO BE SUPPLIED AT AN APPROPRIATE TIME). PROGRESS IN CONTACT GROUPS ON OTHER ISSUES HAS BEEN MINIMAL AS RESULT OF G-19 INFLEXIBILITY. LDCS HAVE INDICATED THEIR STRATEGY IS TO HOLD INVESTMENT PAPER HOSTAGE TO OUTCOME OF OTHER NEGOTIATIONS.

5. TRADE: MAY 11 JOINT CONTACT GROUP AND INFORMAL DRAFTING SESSION DWELT ON G-19 PROPOSED LANGUAGE RE EXTENSION OF MFA WITH "MODIFICATIONS IN THE DIRECTION OF LIBERALIZATION" AND G-19'S REFERENCE TO INADEQUACY OF CONCESSIONS IN TROPICAL PRODUCTS FROM COUNTRIES WHICH HAVE IMPLEMENTED THESE, WHICH INCLUDES SECTION ASKING U.S. TO DROP ITS REQUEST FOR RECIPROCITY. G-8 WAS UNANIMOUS IN EMPHASIZING THAT SUCH A G-19 APPROACH TO TROPICAL PRODUCTS AT CIEC IS UNACCEPTABLE AND COULD BE INIMICAL TO LDC INTERESTS IN GETTING MEANINGFUL CONCESSIONS IN REMAINDER OF MTN. ALL G-8 DELS ORALLY INDICATED RECEPΤIVITY TO IDEA THAT CIEC COULD "ENERGIZE" MFA NEGOTIATIONS BY EXPRESSING NEED FOR EARLY DECISION. DRAFTING WORK CONTINUING OUTSIDE CONTACT GROUPS.

DEVELOPMENT COMMISSION

6. CONTACT GROUPS RESUMED WORK MAY 10. FRUITFUL DISCUSSION HAS CONTINUED IN ODA GROUP, AND COMPROMISE TEXT ON IFI ISSUES IS ALMOST AGREED. CONTRARY TO G-8 HOPES AFTER MAY 9 COMMISSION MEETING, PRACTICALLY NO PROGRESS HAS BEEN MADE IN FOOD AND AGRICULTURE GROUP. PROGRESS IN INDUSTRIALIZATION/TRANSFER OF TECHNOLOGY GROUP HAS BEEN SLOW, BUT THERE MAY EVENTUALLY BE AGREEMENT ON SOME ISSUES. G-8 IS CONFIDENTIAL

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MAKING CONCERTED EFFORT TO WRAP UP AS MUCH AS POSSIBLE IN CONTACT GROUPS BEFORE THE CONCLUDING SESSION OF DEVELOPMENT COMMISSION MAY 14.

7. ODA GROUP HAS DRAFTED COMPROMISE LANGUAGE ON MOST IFI ISSUES, INCLUDING MOST CENTRAL ONES, AND IS CURRENTLY DISCUSSING ODA QUALITY ISSUES (TERMS, UNTYING, ETC.). IT IS LIKELY ODA VOLUME TEXT WILL BE DISCUSSED FOR FIRST TIME AT NEXT

SESSION. U.S. TABLED SUGGESTED COMPROMISE TEXT
WITHIN G-8 MAY 10TH, BUT DUE TO EC'S RELUCTANCE
TO MOVE FROM ITS OWN TEXT, WHICH GIVES MORE
PROMINENCE TO 0.7PER CENT TARGET, G-8 HAS NOT

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YET BEEN ABLE TO DRAFT COMMON LANGUAGE FOR PRESENTATION TO G-19. G-19 HAS CONTINUED TO RESIST IN-DEPTH DISCUSSION OF DEBT FEATURES PROPOSALS. HOWEVER, DEBT GROUP PLANS TO DISCUSS US/EC AND G-19 PROPOSALS ON BASIS OF PAPERS SUMMARIZING EACH APPROACH.

8. ATMOSPHERE IN FOOD AND AGRICULTURE GROUP HAS BEEN DISAPPOINTING. G-19 CONTINUED TO RESORT TO TACTICS WHICH PREVENT DRAFTING OF COMPROMISE LANGUAGE ON MAIN ISSUES. IN ATTEMPT TO EASE ROADBLOCK, WELLERSTEIN MET WITH CANADIAN AND YUGOSLAV MODERATORS AND AIT-CHAALAL. AIT-CHAALAL SHOWED CONCERN FOR LACK OF PROGRESS IN THIS GROUP AND SCHEDULED G-19 MEETING TO DISCUSS SITUATION. INFRASTRUCTURE ISSUES, IN PARTICULAR AFRICAN DECADE PROPOSAL, WILL BE DISCUSSED IN CONTACT GROUP MAY 12TH. G-8 WILL PRESENT INITIAL POSITION ON DECADE WHICH IS FORTHCOMING RE AFRICAN INFRASTRUCTURE PROBLEMS, BUT STOPS SHORT OF COMMITMENT TO DECADE.

9. CONTACT GROUP ON INDUSTRIALIZATION IS CLOSE TO AGREEMENT ON THREE ISSUES: INDUSTRIALIZATION GOAL, UNIDO CONSULTATION, AND INDUSTRIAL DEVELOPMENT FUND. ALTHOUGH THERE IS NO FINAL AGREEMENT AS YET ON ANY IMPORTANT ISSUES, GROUP MAY REACH COMPROMISE ON SELECTED QUESTIONS. TRANSFER OF TECHNOLOGY WAS REVIEWED IN CONTACT GROUP FOR FIRST TIME MAY 11.

FINANCIAL AFFAIRS COMMISSION (FAC)

10. ALL CONTACT GROUPS OF FAC MET (AT LEAST ONCE) ON MAY 10 AND 11. CONTACT GROUP NO. 2 (ON INVESTMENT, CONFIDENTIAL

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ACCESS TO CAPITAL MARKETS AND OTHER FLOWS) HAD EXCHANGE OF VIEWS ON MONETARY ISSUES (BASED ON G-19 TEXT OF LAST WEEK) ON AFTERNOON OF MAY 10, AND FORMED AN INFORMAL DRAFTING GROUP ON "OTHER FLOWS" WHICH ENCOUNTERED DIFFICULTIES (IN MEETING G19

WISHES FOR SPECIFICITY) IN ITS FIRST SESSIONS ON MAY 11. CONTACT GROUP NO. 2 ALSO DISCUSSED CAPITAL MARKETS ACCESS AND FOREIGN DIRECT INVESTMENT, BUT G-19 WAS ADAMANT (ESPECIALLY BRAZIL, MEXICO AND IRAN) AND INFLEXIBLE IN ITS UNWILLINGNESS TO CHANGE EVEN ONE WORD OF ITS NOVEMBER TEXT.

11. PROGRESS IN CONTACT GROUPS ON INFLATION AND COOPERATION AMONG LDCS WAS EITHER NON-EXISTENT OR EXCRUCIATINGLY SLOW. IN INFLATION GROUP, NEW IRANIAN MEMBER FURTHER ADDED TO G-19 INFLEXIBILITY ON MAJOR ISSUES (I.E. CAUSES), BUT GROUP WILL CONTINUE TO MEET IN FURTHER EFFORT TO REDUCE DIFFERENCES.

12. CONTACT GROUP ON OPEC ASSETS MET ONCE ON MAY 10, WITH SAUDI DEL IN ATTENDANCE. SAUDI DEL REMAINS INSISTENT THAT OPEC ASSETS PAPER RECOGNIZE THE "SPECIAL CASE" OF THE OPEC SURPLUS, AND THAT SPECIAL CIRCUMSTANCE IS BASIS FOR NEED FOR SPECIAL TREATMENT. G-8 TRIED TO DISSUADE SAUDI DEL FROM THIS VIEW WITHOUT SUCCESS, INDICATING, AS WELL, THAT ENERGY COMMISSION WAS ALSO DEALING WITH "RECOGNITION OF SPECIAL CIRCUMSTANCE" ISSUE, AND FAC SHOULD WAIT FOR THAT OUTCOME FIRST. DISCUSSIONS IN THIS CONTACT GROUP WILL CONTINUE AFTER FURTHER U.S.-SAUDI BILATERALS.

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Message Attributes

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TAGS: ENRG, EGEN, ETRD, EFIN, EAID, OECD, CIEC
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